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Testimony of Michigan Association of Health Plans

Good Morning Madam Chair and members of the committee, my name is Rick Murdock, Executive Director of the Michigan Association of Health Plans. With me today is Sharon Williams, President of CareSource of Michigan, a Medicaid Health Plan serving nearly 40,000 beneficiaries in 31 Michigan counties. CareSource also serves dually eligible Medicare/Medicaid Michiganians in 6 counties in their Special Needs Plan via a contract with the federal government. We are here today in support HB 5855.

The need for such legislation became clear last summer when the Executive Order eliminating optional services in the Medicaid program was implemented. Medicaid Health Plans are licensed HMOs and subject to Insurance Code as well as Medicaid contract. Under the Insurance Code, HMOs, (including Medicaid HMOs) are required to provide prior notice to beneficiaries before implementation of any change of benefits. While the Executive Order resulted in a change in benefit (loss of optional services), MDCH was not able to make a final policy bulletin effective until a few days before the effective date of the policy (July 1, 2009). Because the final policy was different than the earlier draft circulated by MDCH, Medicaid Plans had to wait until final promulgation in order to know what information to include in the notice to beneficiaries required under the Insurance Code. Therefore, Medicaid Health Plans had to seek approval from the Office of Financial and Regulatory Services, OFIR, and then provide 30 day notice to beneficiaries before enacting the benefit change. This meant that Medicaid Health Plans had to continue to provide a service to Medicaid beneficiaries up to 60 days after the State of Michigan stopped paying health plans for the benefit.

We can provide other examples when this conflict of emergency state/federal policy changes are implemented before the Insurance Code requirements are satisfied. Ms. Williams will now provide a short summary of how this issue impacted CareSource Michigan.

CareSource has been a proud provider of quality Medicaid services to Michigan citizens for well over a decade. We deliver care through a network of thousands of physicians, hospitals, pharmacies and other critical delivery systems. CareSource is URAC accredited and has been recognized by the U.S. World News Report as one of the top 100 Medicaid health plans in America. CareSource, like other Michigan Medicaid health plans, sought clarification from the two agencies over the obvious conflict of variant policies last year. With less than a few weeks deadline for the Executive Order's effective date, we were required to satisfy a myriad of other competing state standards and ensure operational readiness. Among these critical requirements was: amend Member handbook and Certificate

of Coverage language in member materials; communicate the policy changes to beneficiaries; advise providers and vendors (in some cases renegotiate vendored rates for delegated services); make internal systems adjustments, etc. Execution of these complex activities was on hold until the policy reconciliation between the two agencies occurred most of which depended on the final Medicaid policy that was not issued until several days before the effective date of the change. With the thin margins under which many of the Medicaid health plans operate, incurring expenses for benefits for which we are not reimbursed can be an unnecessary hardship.

Passage of HB 5855 is an important antidote to the phenomena we experienced last July. It properly aligns the two oversight agencies' enrollee protection policies and provides the flexibility for expedient responses in this dynamic health care policy environment. With the advent of national health care reform and its flurry of policy amendments, it is prudent for Michigan to align its local regulations to ensure efficient and proficient administration of health care delivery for our citizens.

We believe that HB 5855 will provide a remedy to these circumstances by providing the OFIR Commissioner the ability to waive the prior notice requirement when reasonable time is not provided and the change is a result of executive order or federal/state administrative change. Further, and as matter of state policy MDCH is required to distribute communication to all Medicaid beneficiaries in all instances of such policy changes to all Medicaid beneficiaries (including those in Medicaid Plans) and HB 5855 would still require Medicaid Health Plans to provide subsequent notification to members.

Thank you for the opportunity to testify. We would be happy to answer any questions.